

GENERAL RETURN INSTRUCTIONS FOR FILING FORM S-2 SUCCESSION TAX RETURN



HOW CAN I GET ASSISTANCE?

The following instructions are designed to help taxpayers complete the Succession Tax Return, Form S-2. If you have any questions, you may contact the Inheritance/Estate Tax Section from 8:00 a.m. to 5:00 p.m., Monday through Friday at 860-297-5737.

GENERAL INFORMATION

The Form S-2 is to be used in those estates where it appears that no succession tax will be due because the gross value of property passing to any class of beneficiary is **less than** the exemption for the class during the year of the decedent's death.

HOW CAN I GET ADDITIONAL FORMS?

Connecticut succession and estate tax forms may be obtained at **any Connecticut Probate Court**. Connecticut tax forms may also be obtained by writing to:

**DRS Forms Unit
25 Sigourney Street
Hartford, CT 06106-5032**

or by calling 860-297-5962 (Hartford area or out-of-state) or 1-800-382-9463 (in-state) 24 hours a day and choosing option two, for DRS Forms Unit.

Electronic Delivery Options

You may also obtain forms and publications 24 hours a day from our site on the World Wide Web at <http://www.state.ct.us/drs> or through the Department's fax retrieval system by calling the DRS TAX-FAX at 860-297-5698 from the handset attached to your fax machine.

WHO MUST FILE

The administrator or executor of the decedent's estate must file the Succession Tax Return. If there is no administrator or executor, then the survivor or transferee must file the Succession Tax Return.

A Succession Tax Return must be filed for all deceased **residents** of the State of Connecticut.

A Succession Tax Return must be filed for all deceased **nonresidents** owning real or tangible personal property located in Connecticut. If the decedent is claimed to be a nonresident of Connecticut, and the estate is required to file a Federal Estate Tax Return (federal Form 706), then a Domicile Questionnaire (Form C-3) must be completed and filed with the Department of Revenue Services.

If the decedent was a Connecticut **resident**, the return must be filed in the Probate Court for the district in which the decedent resided at death. If the decedent was a **nonresident** of Connecticut at death, the return must be filed with the Probate Court for the district within which reportable property is located.

WHEN AND WHERE TO FILE

The return must be filed in duplicate with the Probate Court within 6 months of the decedent's death. For additional information, refer to the section entitled Extension For Filing.

SIGNING THE RETURN

Both copies of the return must be signed by the executor or administrator of the decedent's estate. If there is no administrator or executor, then the survivor or transferee must sign the return. If there is more than one fiduciary, all must sign the return.

PREPARING AND COMPLETING THIS RETURN

- A) Identification and Schedules 1, 2, 3 and 4 must be completed for each estate;
- B) Variances: Explain in detail under "Description of Property" any variance between the values shown on this return and those reported on the inventory filed with the probate court;
- C) Each column on the appropriate schedule must be completed for each item reported;
- D) Attach additional sheets if necessary in order to supply all information.

REPORTABLE ASSETS AND VALUES

All property in which the decedent had any interest must be reported on the return at its fair market value on the date of death. Assets which must be reported on the return include:

- A) if the decedent was a resident of Connecticut:
 - tangible personal property* located in Connecticut
 - real property located in Connecticut.
 - all intangible personal property** wherever located.
- B) if the decedent was NOT a resident of Connecticut:
 - real property located in Connecticut.
 - tangible personal property* located in Connecticut.

*Tangible personal property includes, for example: antiques, art collections, automobiles, boats, clothing, coin collections, household furniture and furnishings, jewelry, stamp collections, etc.

**Intangible personal property includes, for example: bank accounts, cash, stocks, bonds, pensions, copyrights, interest in estates of other decedents, royalties, mortgages, notes, partnerships, remainder interest in trusts and estates, unincorporated businesses, etc.

Exceptions

- A) Insurance on the life of the decedent is not subject to the succession tax. Insurance owned by the decedent on the life of another is taxable.
- B) Proceeds of a wrongful death action are not subject to the succession tax.

SCHEDULE 2 - GENERAL QUESTIONS

Answer all questions and determine the appropriate schedule on which to report property that is passing or being transferred. Solely owned property passing by will or laws of intestacy should be reported on Schedule 3. Jointly owned survivorship property or property passing other than by will or laws of intestacy should be reported on Schedule 4. Attach supporting documentation as required.

SCHEDULES 3 & 4 - GENERAL INFORMATION

List property on the appropriate schedule. Provide the names of survivors or beneficiaries and their relationship to the decedent. Indicate the value of the property. Make descriptions brief, but sufficient to accurately identify the property being reported, and state the decedent's interest in the property, i.e., full interest, one-half interest, one-third interest, etc.

Values - All property must be reported at its fair market value on the date of death. For real estate, written appraisals relied upon by the taxpayer should be attached to the return. For stocks quoted on a stock exchange, use the mean between the "high and the low" or "bid and asked price" at the date of death. For bank accounts, be sure that all interest has been posted as of the date of death. For U.S. Savings Bonds, use the value at death, not the face amount.

SCHEDULE 3 - SOLELY OWNED PROPERTY PASSING BY WILL OR LAWS OF INTESTACY

On this schedule, report solely owned property that is passing by will or laws of intestacy.

SCHEDULE 4 - JOINTLY OWNED SURVIVORSHIP PROPERTY AND PROPERTY PASSING OTHER THAN BY WILL OR LAWS OF INTESTACY

Jointly Owned Property Conceded Fully Taxable - When property is owned in survivorship and is conceded to be for the benefit of the decedent alone, and was funded in a large percentage by the decedent, report its full value under the CONCEDED VALUE ATTRIBUTED TO ESTATE column.

Jointly Owned Property Conceded Fractionally Taxable - When property is owned in survivorship and is claimed fractionally taxable, and was funded in large percentage by the survivor, or, the decedent resided together with the survivor, report the following: (1) date made joint; and (2) percentages of direct contribution by the decedent and survivor(s). Report the full value of the item under TOTAL VALUE AT DEATH column and the decedent's fractional interest under CONCEDED VALUE ATTRIBUTED TO ESTATE column.

If the decedent owned less than a full interest in property and/or if it was subject to a mortgage, report the full value of the property and the full unpaid balance of the mortgage under DESCRIPTION and the value of decedent's interest in the equity under VALUE.

If the decedent owned property which cannot be readily valued, such as a solely owned or partnership business; stock in a closely held corporation; annuity or pension plan payable in installments, the fair market value of which is not furnished by the insurance company; then Form S-1 should be filed.

If the property consists of survivorship bank accounts and/or U.S. Savings Bonds and is claimed fractionally taxable, deduct the special \$5,000 exemption from the aggregate value under TOTAL VALUE AT DEATH and then report the decedent's fractional interest in the balance under CONCEDED VALUE ATTRIBUTED TO ESTATE.

Pension Plan Taxability - Generally, the value to the beneficiary at death of the right to receive pension profit sharing and like plans are taxable. However, if a plan was a "qualified plan" under the provisions of the Internal Revenue Code, only that proportion of the value of the plan which is attributable to contributions made to the plan by the decedent is subject to tax. Please note that when the proceeds of an exempt qualified plan are rolled over into an Individual Retirement Account, this exemption is lost and the entire amount becomes subject to succession tax.

SCHEDULE 1 - RECAPITULATION

Add property listed on Schedules 3 and 4 by beneficiary class. Determine to which class beneficiaries belong by the relationship of the beneficiary to the decedent. For additional information, refer to the Determination of Beneficiary Class section of the instructions. Carry totals to the appropriate row and column of Schedule 1. Add columns across and down. Enter the gross estate in the TOTAL box.

If the decedent died prior to January 1, 1997, contact the probate court for the appropriate tax table.

Intestate property - When a decedent does not have a will and property is not in a trust, in survivorship or in some form of retirement plan, etc., but is in the decedent's name alone, then that property is referred to as intestate property. Such property will pass by the laws of descent and distribution found in Chapter 802b of the Connecticut General Statutes.

Contingency compromise - The necessity for this type of compromise arises when, because of language in a will or a trust instrument, the taking party or an amount to be received by a taking party cannot be determined as of the date of death, but must await the outcome of certain contingencies which are to happen sometime in the future. If any and all possible contingencies would result in a nontaxable estate, file Form S-2. If the result of certain contingencies would result in a taxable estate, file Form S-1.

CONNECTICUT ESTATE TAX

Whenever an estate is required to file the Federal Estate Tax Return (federal Form 706), the Connecticut Estate Tax Return (Form CT-706) must be filed for both Connecticut residents and for nonresidents owning real property in Connecticut and/or tangible personal property having an actual location in Connecticut.

The Connecticut Estate Tax is a transfer tax which absorbs the credit allowable for state death taxes on the Federal Estate Tax Return, thereby shifting a portion of the Federal Estate Tax to Connecticut by picking up the credit allowed for state death taxes under the Internal Revenue Code.

SUPPORTING DOCUMENTATION

A certified copy of the death certificate must be attached to each copy of the tax return. If real estate is reported, furnish (a) a copy of the deed; (b) the assessed value or a written appraisal, if relied upon; (c) the dimensions or number of acres; and (d) whether it is a home, rental, commercial, farm or vacant land. If land is claimed to be farmland, both the fair market value appraisal and farmland appraisal should be attached. Refer to Schedule 2 of the tax return for additional supporting documentation requirements.

EXTENSION FOR FILING

To request an extension to file the Succession Tax Return, submit a written request to the Department of Revenue Services. On your request, include the estate name, the Connecticut file number, if known, and the date you expect a return to be filed by. This should be submitted no later than 6 months from the date of death. You will only be notified if your extension request is denied.

CERTIFICATE OF NO TAX

Generally, the Probate Court is responsible for issuing the "Certificate of No Tax."

RELEASE OF LIEN AND CONSENTS TO TRANSFER

You may inquire with the Probate Court as to the proper method of requesting a release of lien on real property. Under Connecticut law, a Consent to Transfer (or waiver) on intangible personal property is not required when an administrator or executor has been appointed by the probate court.

DETERMINATION OF BENEFICIARY CLASS

You may determine the beneficiary class by reading the information below or by referring to the Alphabetical Listing of Relationship of Beneficiary to Decedent. A person is a:

Class AA beneficiary: if he or she is the decedent's spouse. The marriage must be recognized according to Connecticut law. The Tables do not cover the net taxable estate passing to a Class AA beneficiary because effective for estates of decedent's dying on or after July 1, 1988, these transfers are not subject to succession tax.

Class A beneficiary: if he or she is the decedent's parent, grandparent, adoptive parent, and a natural or adopted descendant of the decedent such as a daughter, son, grandchild or great-grandchild.

Class B beneficiary: if he or she is the decedent's brother or sister (full or half), a natural or adopted descendant of such brother or sister (niece or nephew related to decedent by blood or adoption), stepchild, or a daughter-in-law or son-in-law to the decedent - spouse or unremarried widow(er) of the decedent's natural or adopted child.

Class C beneficiary: if he or she is not a Class AA beneficiary, a Class A beneficiary, or a Class B beneficiary. For example, a Class C beneficiary may include the decedent's cousin, uncle, aunt, sister-in-law, brother-in-law, stepbrother, stepsister, or step-grandchild, niece or nephew related by marriage, as well as unrelated individuals, and associations or corporations that do not qualify as an exempt organization.

Exempt Organizations: The Tax Tables do not cover the net taxable estate passing to any charitable, educational, literary, scientific historical, religious to government-related organization which are exempt from succession tax.

ALPHABETICAL LISTING OF RELATIONSHIP OF BENEFICIARY TO DECEDENT

<u>RELATIONSHIP</u>	<u>CLASS OF BENEFICIARY</u>
adoptive parent.....	A
adopted descendant (child, grandchild, great-grandchild).....	A
aunt	C
brother (full or half).....	B
brother-in-law.....	C
child (natural or adopted daughter or son).....	A
cousin.....	C
daughter-in-law (spouse or unremarried widower of the decedent's natural or adopted child).....	B
friend.....	C
grandchild, great-grandchild.....	A
grandparents.....	A
nephew or niece of decedent (related to decedent by blood).....	B
nephew or niece of decedent's spouse (related to decedent by marriage).....	C
parent.....	A
sister (half or full).....	B
sister-in-law.....	C
son -in-law (spouse or unremarried widower of the decedent's natural or adopted child).....	B
spouse (husband or wife).....	AA
stepbrother or stepsister.....	C
stepchild	B
stepgrandchild.....	C
stepparent.....	C
uncle.....	C

Please Note: Spouses of blood relatives, as well as relatives of the decedent's spouse, are not blood relatives.

AMENDED RETURN

If you are filing an amended return, check the "Amended Return" box on the front of the return and complete the return with the corrected figures.